

Summary of Press Conference Comments Made by Kazuhiro Ikebe, FEPC
Chairman, on April 15, 2022

I am Kazuhiro Ikebe, Chairman of the Federation of Electric Power Companies (FEPC).

Today, I would like to talk about the tightening of electricity supply and demand and the need to implement measure to secure supply capacity.

We apologize for the inconvenience and concern we caused our customers and society at large during the tightening of electricity demand and supply in the Tokyo and Tohoku regions in March 22.

With the earthquake and the cold weather, electricity supply and demand became very tight prompting the national government to issue an electricity supply warning. I want to thank everyone who cooperated with our request to conserve electricity—we were able to avoid outages with your cooperation. I also want to thank the media for calling out to the public to conserve energy in the news and in papers.

Since January, five areas across Japan have experienced demand above the expected in extreme colds projected to occur once in ten years, and there has been multiple situations that require power interchange among areas to increase supply. We, operators, have been maintaining facilities appropriately to ensure issues that may directly impact supply capacity do not occur, procuring fuel stably, having the Organization for Cross-regional Coordination of Transmission Operators (OCCTO) monitor kW and kWh, having the national government monitor LNG inventory levels, conducting power interchange with areas that are experiencing power supply shortages, and doing our utmost to secure stable supply at every turn. We believe that ensuring there is a system for securing enough supply capacity will become more important as electricity system reform

progresses.

The direct causes of the tightening of supply and demand on March 22 are 1) the shutdown of thermal power plants due to the earthquake and 2) sudden changes in weather and temperature. Breaking down the first cause, some power plants were still shutdown due to the earthquake off the coast of Fukushima prefecture and there were unplanned station shutdowns leading to supply shortages. As for the second cause, bad weather in the Tokyo area limited the amount of electricity that photovoltaic facilities can generate to about 10% of capacity, and rare extreme cold temperatures in east Japan triggered a surge in electricity demand.

The background of and the root cause of the tightening of electricity supply and demand are being verified in a national government committee. This committee will discuss how supply capacity should be secured and how the power network needs to be developed, in addition to operational challenges. We, operators, will be participating actively in these discussions. In addition to the specific causes of March 22, we also believe that Japan is more generally facing challenges in securing supply capacity that can deal with uncertainties.

Currently, supply capacity has been tight as aging thermal power plants are decommissioned and nuclear power plants are slow to restart. If renewables including photovoltaic power are deployed in large amounts in the future, balancing capacity to compensate for electricity shortages due to bad weather and unexpected changes in temperature will become even more important. There needs to be further discussion on securing base load power and balancing capacity in a balanced manner in Japan and creating mechanisms to ensure necessary investment will be made in these power sources in preparation for weather events and unpredictable natural disasters similar to those that occurred this spring.

In addition, energy security and energy economic efficiency are gaining importance as uncertainty increases due globally soaring fossil fuel prices that causes rising electricity prices, and difficulties in securing fuel due to the conflict in Ukraine. Currently, 70% of Japan's energy is derived from fossil fuels. As Prime Minister Kishida mentioned in the press conference the other day, nuclear power as an established decarbonized technology will need to be maximally utilized in addition to renewables going forward. To secure balance in demand and supply, thermal power, which is necessary for the large-scale deployment of renewables, also needs to be used continuously.

Currently, systems are being designed for electricity system reform. In the face of uncertainty from weather and natural disasters as seen this March, there needs to be discussion on how we can prepare for these events and recoup costs to secure necessary power sources in the mid-to-long term. Discussions also need to be had on ways to achieve the above within the framework of the liberalization of the electric power industry.

Looking to the more immediate future, electricity supply and demand for the summer and winter of FY2022 was discussed in the national government committee meeting held on April 12. At this point in time, all areas will likely be able to secure a reserve margin of 3% for the summer of FY 2022, though the Tohoku, Tokyo and Chubu areas in July are projected to scrape by at 3.1%. For the winter of 2022, 7 areas are expected to dip below the reserve margin of 3%, falling to -1.7% in January and -1.5 % in February for the Tokyo region, making it the toughest winter since FY2012. Discussions for securing additional supply capacity will be had going forward. At the same time, preparations will be advanced for every demand-side measure including planned outages and restrictions on the use of electricity based on the Electricity Business Act.

We will be proactive in managing the situation on the supply side, procuring additional thermal fuel and conducting timely maintenance on power facilities. We will also actively participate in government verifications regarding the March 22 tightening of supply and demand and cooperate in implementing measures to secure additional supply capacity to manage demand.

While we focused today on the immediate and mid-to-long term challenges that we face in securing the stable supply of electricity, energy policy also needs to take into consideration the environment and economic efficiency in addition to energy security to meet the principle of S+3E (energy security, economic efficiency, and environmental protection without compromising safety). We will do our utmost to tackle these difficult challenges.

This concludes my remarks for today.

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